



Portsmouth Town Hall

Congressman Robert C. “Bobby” Scott

Third District of Virginia

Monday, February 12, 2018

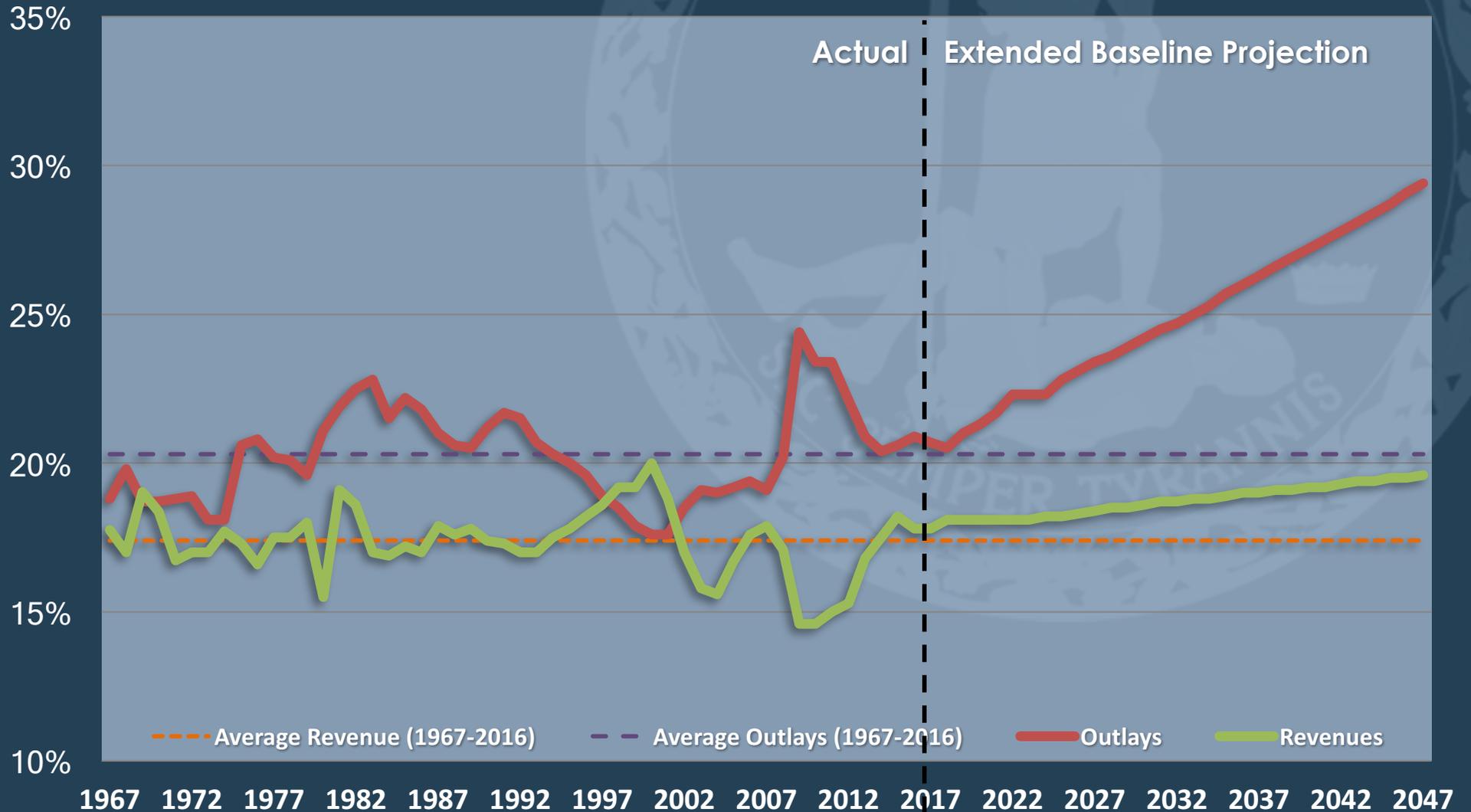


Federal Budget Background



Federal Revenue* and Outlays

As a percentage of gross domestic product



*Before enactment of the Tax Cuts and Jobs Act

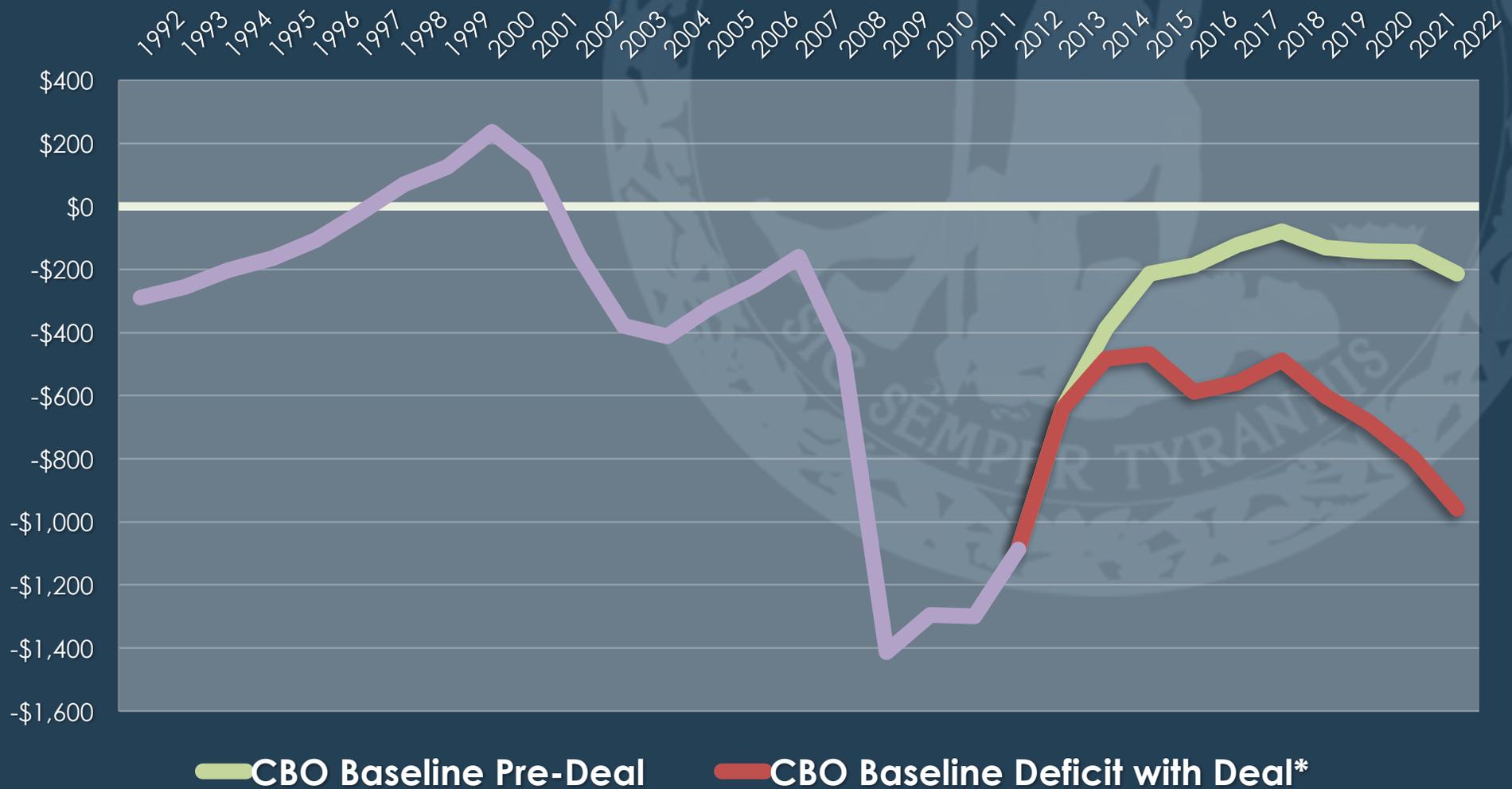


CONGRESSMAN BOBBY SCOTT

Source: Congressional Budget Office

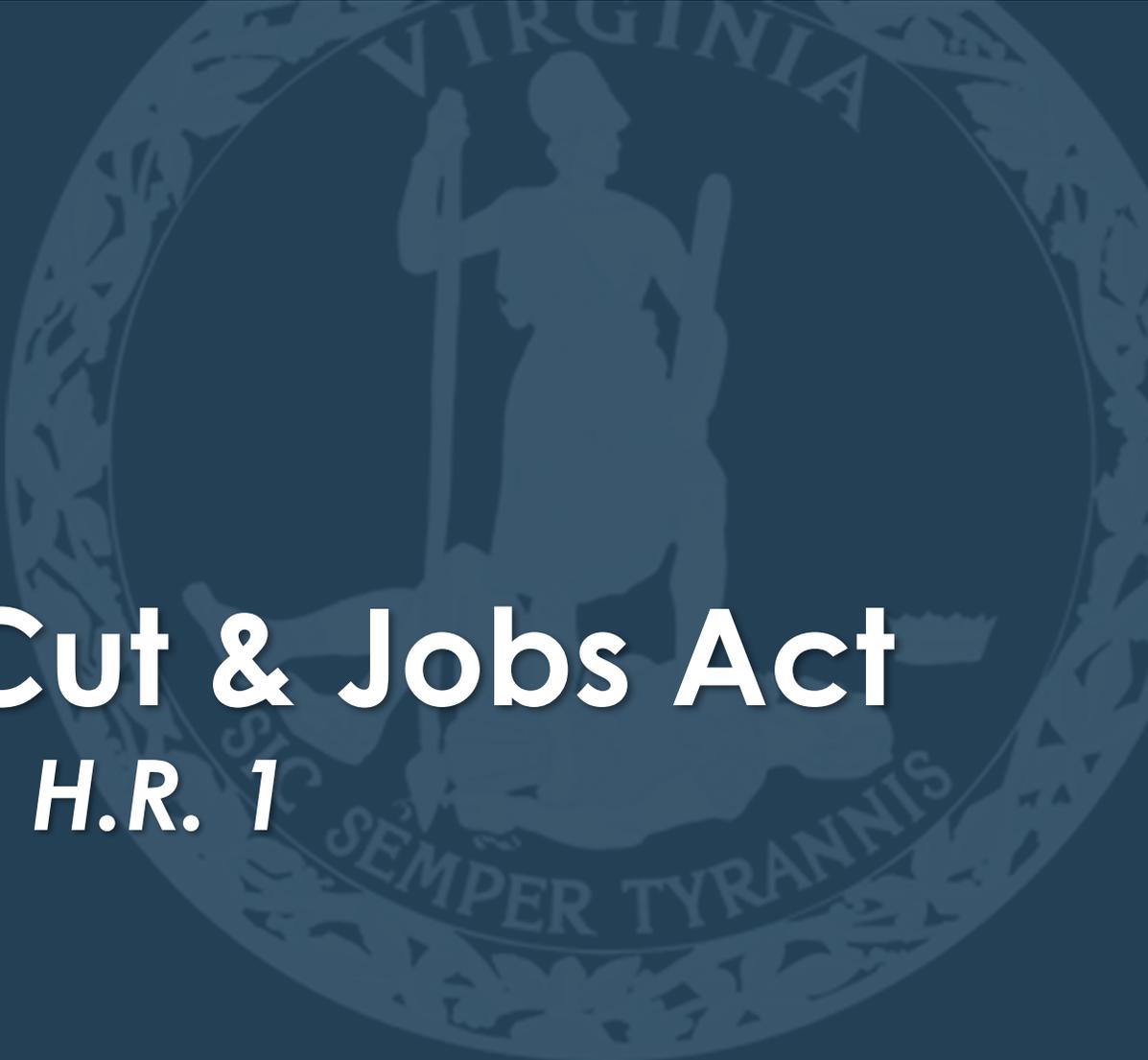
2013 Fiscal Cliff Deal Permanently Extended \$3.9 Trillion in Tax Cuts, which hasn't been paid for yet

Annual Federal Budget Deficit



*Compares CBO's August 2012 Baseline with CBO's January 2017 Baseline.



The background of the slide features a large, semi-transparent seal of the Commonwealth of Virginia. The seal depicts a Native American figure holding a bow and arrow, with the word "VIRGINIA" at the top and the motto "SEMPER TYRANNIS" at the bottom.

The Tax Cut & Jobs Act

H.R. 1



Key Points

- Tax cuts are temporary for individuals and families but permanent for corporations
- Over 10 years 83% of the benefit goes to the top 1%
- CBO estimates that these cuts will cost \$1.5 trillion over 10 years
- Speaker Ryan and the Tax Foundation estimate the creation of 339,000 jobs (that is \$4.1 million per job)



Key Changes

Current law	Passed bill
Income tax Seven individual tax rates: 10%, 15%, 25%, 28%, 33%, 35% and 39.6%	Keeps seven brackets with lower rates: 10%, 12%, 22%, 24%, 32%, 35%, 37% (expires after 2025)
Standard deduction \$6,350 for single filers and \$12,700 for married couples	The standard deduction is temporarily increased to \$12,000 for singles and \$24,000 for married couples filing joint returns. In 2025, the deductions and exemptions revert to current law
State and local taxes Taxpayers can deduct both state and local income and property taxes	Taxpayers may deduct only up to \$10,000 total, which may include any combination of state and local taxes, including property taxes (also sales taxes)
Mortgage interest deduction Taxpayers can deduct interest payments on up to two mortgages, worth up to a combined \$1m	Taxpayers can deduct the interest paid on mortgage debt up to \$750,000. Interest payments on property bought before Dec. 15 is still deductible up to \$1 million (the limit under current law). <u>Home equity loan interest is no longer deductible for anyone.</u>
Individual mandate Under the Affordable Care Act, individuals must buy a qualifying health insurance plan or pay a penalty — unless they qualify for an exemption	The penalty is reduced to zero, which means that fewer healthy individuals may sign up for coverage. That is expected to lead to higher premiums for people who do not qualify for premium subsidies



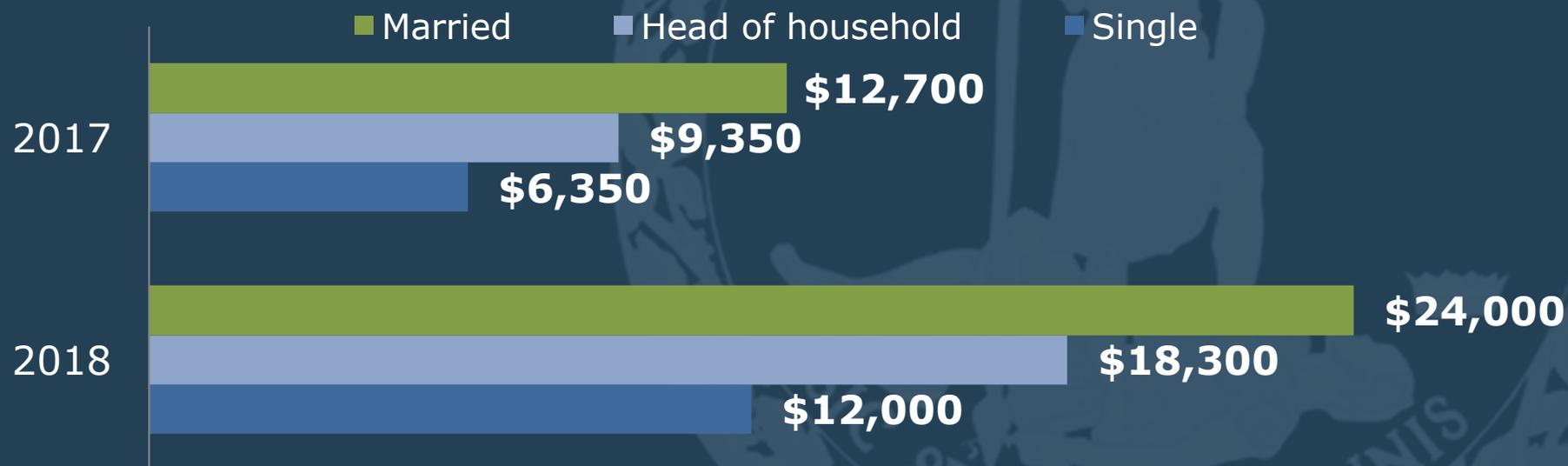
Additional Changes

- Medical expense deduction is temporarily expanded by lowering the Adjusted Gross Income (AGI) threshold from 10% to 7.5%
- There are other technical changes enacted which may impact your 2018 tax liabilities
 - Elimination of deductions for job-related moves, theft, hobby expenses, brokerage and IRA fees, tax preparation costs and miscellaneous write-offs subject to 2%-of-AGI threshold

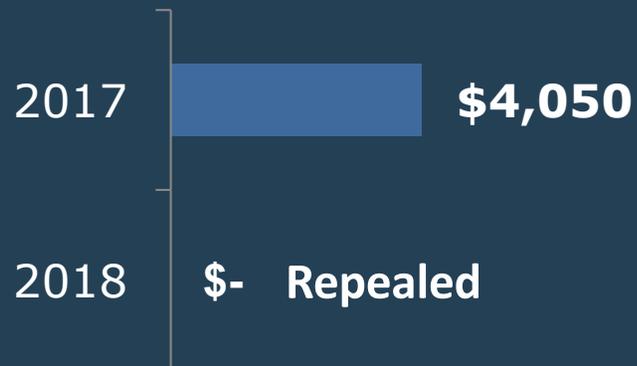


Standard Deduction vs. Personal Exemption

Standard deduction

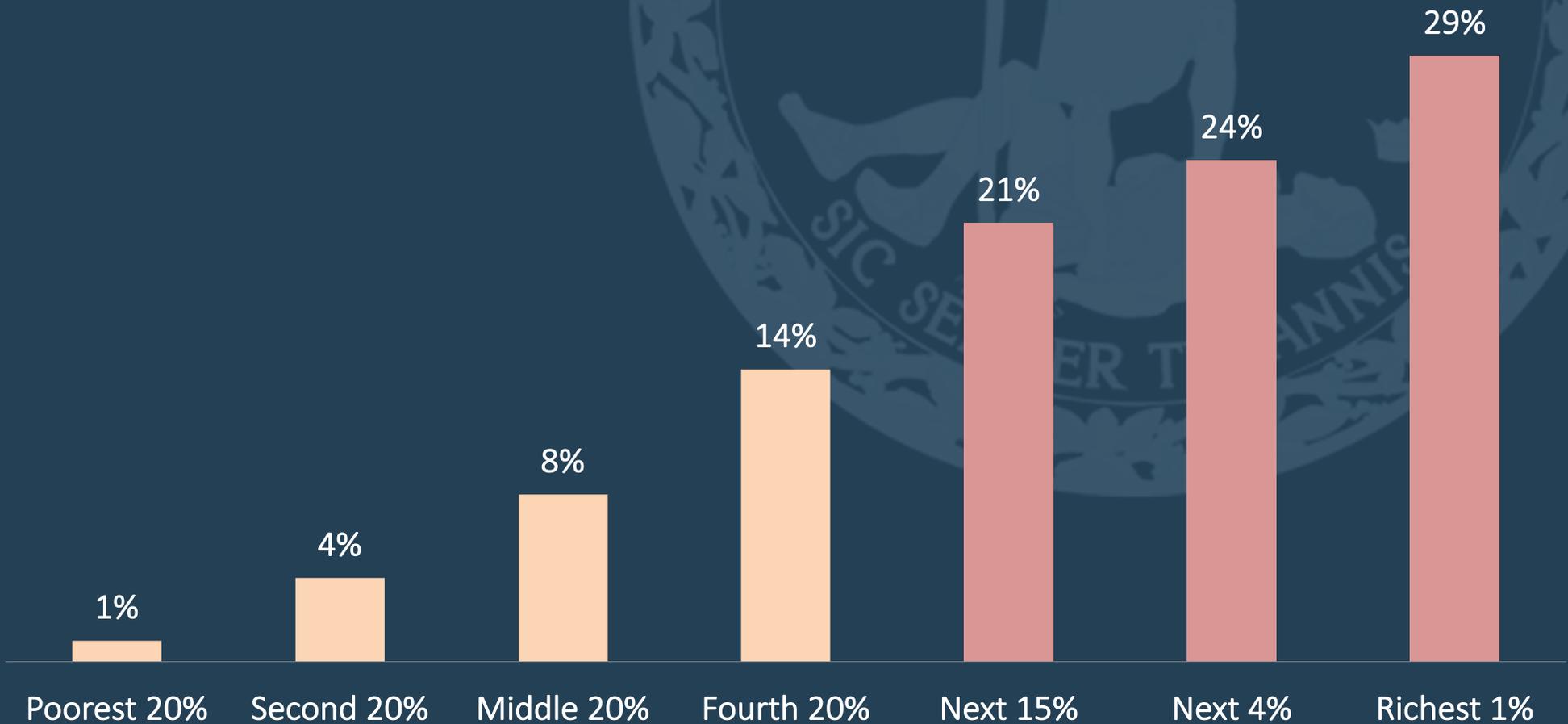


Personal exemption



The richest Virginia taxpayers receive the largest share of tax cuts in the Tax Cuts and Jobs Act of 2017

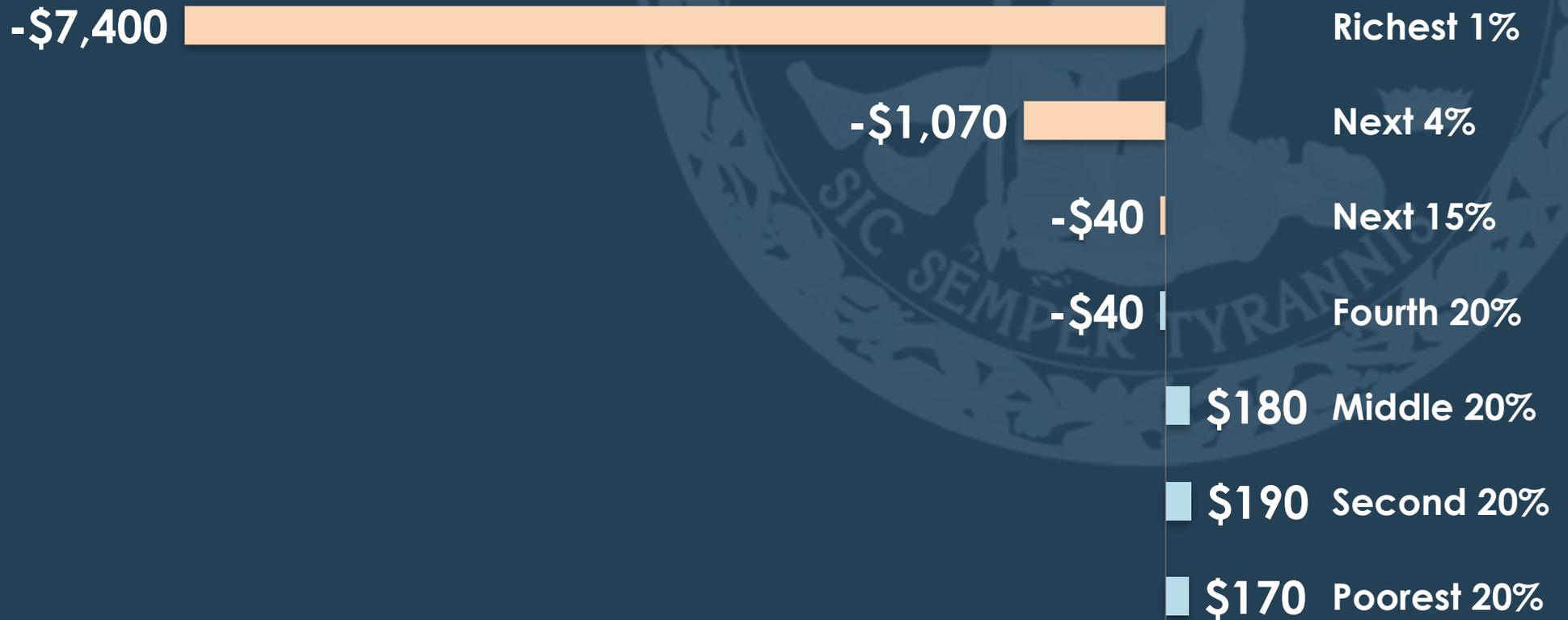
Share of tax cuts by income in Virginia in 2019 – 29% change means \$60,000 cut compared to an \$80 cut for those in the poorest 20% the gap widens through 2027



Tax Cut Breakdown By Income In VA in 2027

Wealthiest Virginia taxpayers receive the largest average tax cuts while lower-income groups face tax hikes

Average tax cuts and hikes per income group*



*Includes impact of ACA Individual Mandate Repeal

Tax Bill Impact on Healthcare



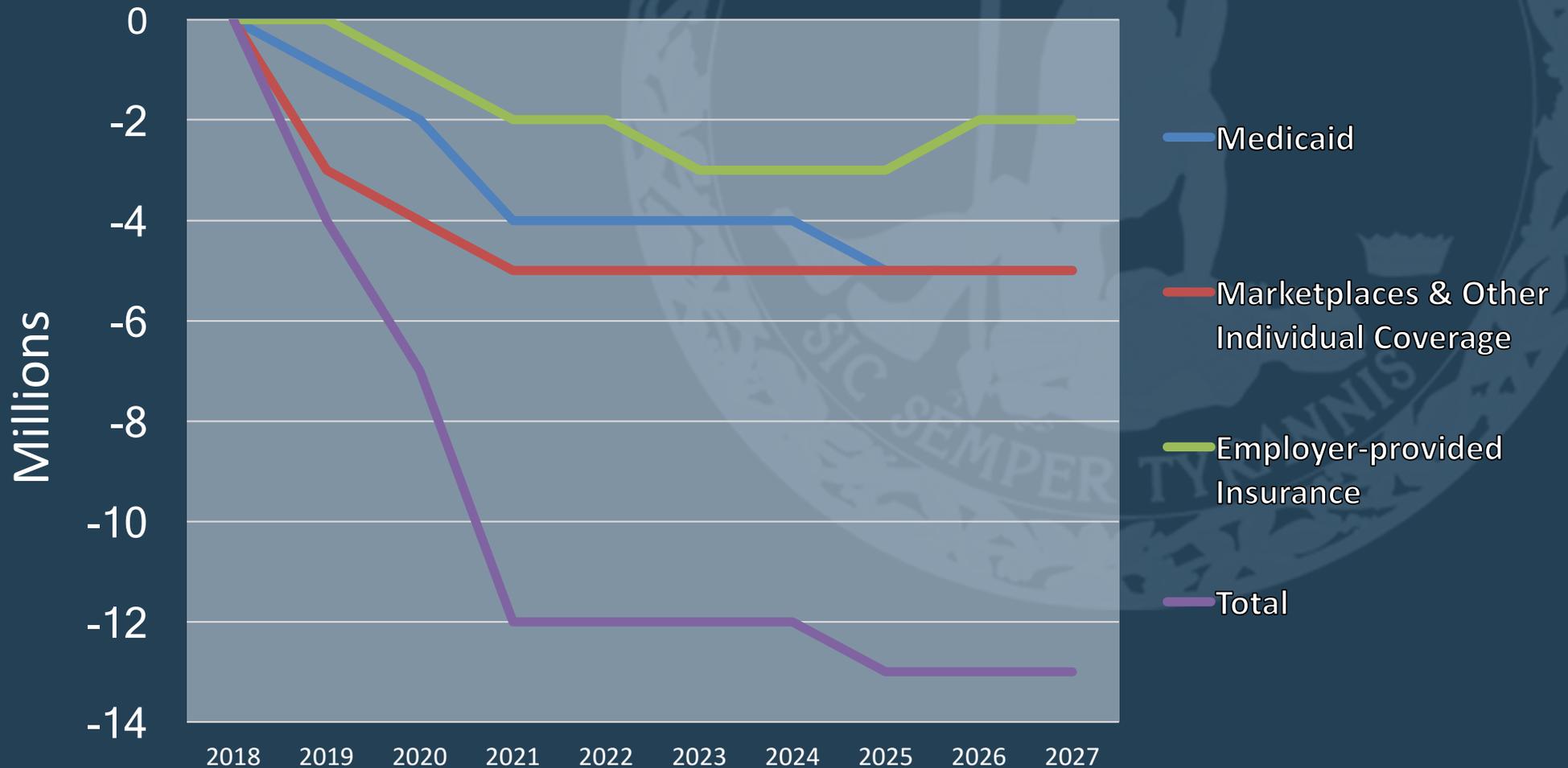
Repealing the Individual Mandate

- The ACA's requirement that every American buy health coverage or pay a penalty is repealed in 2019.
- CBO estimates that this will lead to:
 - 13 million fewer Americans having health insurance versus current law,
 - Premiums rising an additional 10 percent in most years compared to what they would have been
 - More healthy people drop out of the markets without the mandate, leaving the remaining pool sicker and therefore more expensive.



Millions Fewer Projected to Have Health Coverage

Impact of Repealing the Individual Mandate



*Coverage losses under 500,000 in a single year are rounded to zero. Coverage losses outside of the categories listed are not shown.

Source: Congressional Budget Office



Results of Repealing the Individual Mandate

- The loss of the mandate will prompt insurers to simply exit the law's marketplaces and leave broad swaths of the country without any plan options
- This change has the potential to harm people who need affordable health coverage options – increasing costs and reducing options.



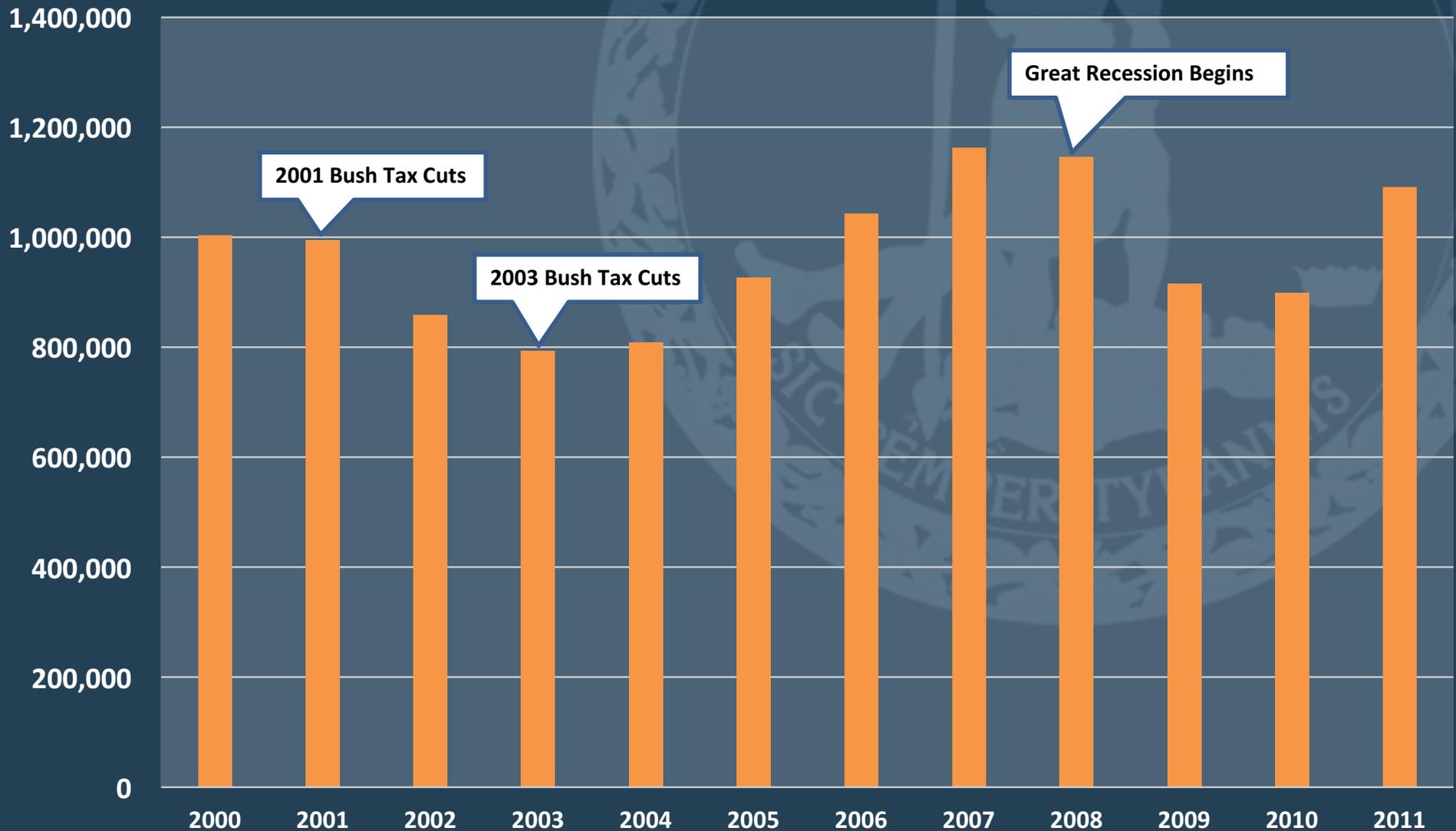
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How Are We Going to Pay for this \$1.5 Trillion Tax Bill?



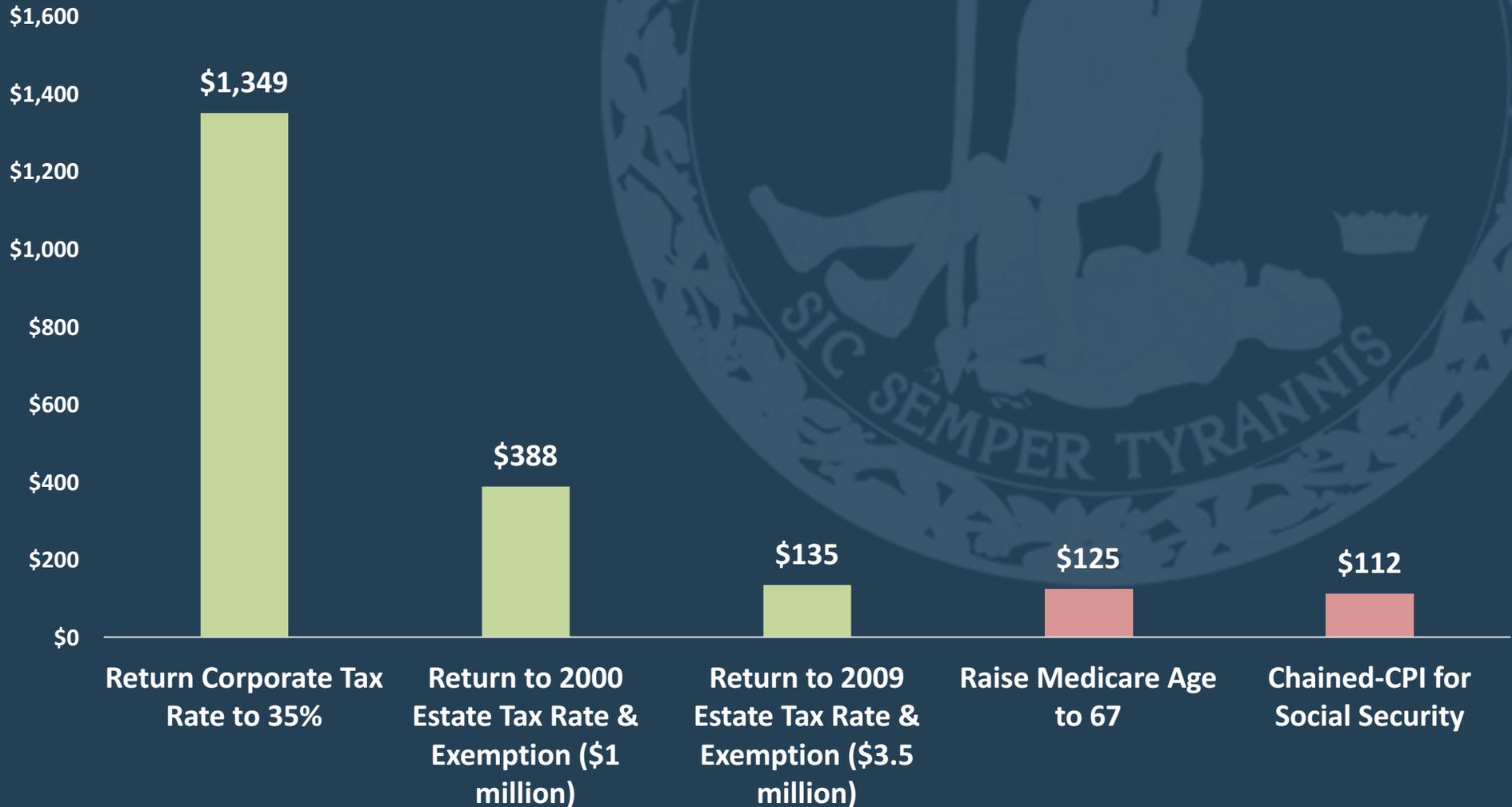
Tax Cuts Do Not Pay For Themselves

Individual Income Tax Receipts 2000-2011 in millions of dollars



Raise Taxes on Corporations & Dead Multi-Millionaires or Cut Social Security & Medicare?

10 Year Savings of Policy Change in Billions of Dollars



Speaker Paul Ryan Confirms that the Republican Plan is to Pay for the Tax Cuts for the Rich with Budget Cuts that hurt everyone else:

“*We’re going to keep focusing on spending cuts.*”

... We are going to go back to that next year but what we don’t want to do is Complicate the issue on the Tax Cuts and Jobs Act.

- Speaker Paul Ryan, 11/15/17



Speaker Paul Ryan Then Boasts, Then Deletes a Tweet Proving This Point

 **Paul Ryan** 
@PRyan Follow 

A secretary at a public high school in Lancaster, PA, said she was pleasantly surprised her pay went up \$1.50 a week ... she said [that] will more than cover her Costco membership for the year.

AP Business News  @APBusiness
Workers are starting to notice larger paychecks following tax overhaul. @sarahssell reports apne.ws/kjcqRDp

8:51 AM - 3 Feb 2018

857 Retweets 1,314 Likes 

And Where will those Budget Cuts Come From? Republican Budget Plan Makes That Clear

Medicare
Medicaid
Food Assistance
**Investments in job training and
education**



Bipartisan Budget Act of 2018



Highlights of Bipartisan Budget Act of 2018

- **Fully undoes sequestration for the next 2 years – protecting our military and other important programs from these harmful, automatic budget cuts.**
- **Provides additional funding for both military and domestic programs**
 - **Military** – Increases military spending by \$80 billion in FY2018 and \$85 billion in FY2019 to boost national security and support our servicemembers
 - **Domestic** – Increases domestic spending by \$63 billion in FY2018 and \$68 billion in FY2019 to increase funding for education, health programs, and non-defense national security initiatives.
- **Children’s Health Insurance Program (CHIP)** – Funds CHIP for an additional 4 years, totaling 10 years of funding for a program that more than 66,000 children in Virginia rely on for care;
- **Community Health Centers** – Includes a 2-year extension of federally qualified community health centers. Approximately 300,000 Virginians receive health care at more than 100 community health center locations in underserved communities across Virginia.



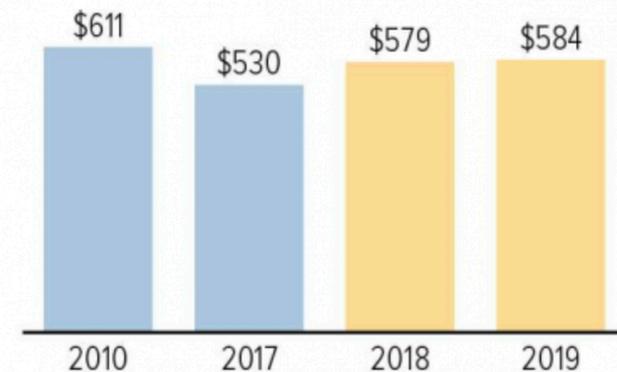
Funding for FY18

- FY18 began October 1, 2017
 - CR funding goes through March 23, 2018
- Non-Defense Discretionary Spending is increased by \$63 billion in 2018 and \$68 billion in 2019 (\$131 billion over the cap set by the Budget Control Act)
 - This funding includes education, job training, infrastructure, scientific research, etc.
 - This is still lower when compared to the enacted funding level for 2010 (accounting for inflation)

Non-Defense Discretionary Funding Increases Under Bipartisan Deal Yet Remains Below 2010 Level

In billions of 2018 dollars

■ Enacted ■ Caps under new agreement



Note: All amounts exclude funding for disasters, emergencies, program integrity, and Overseas Contingency Operations (OCO).

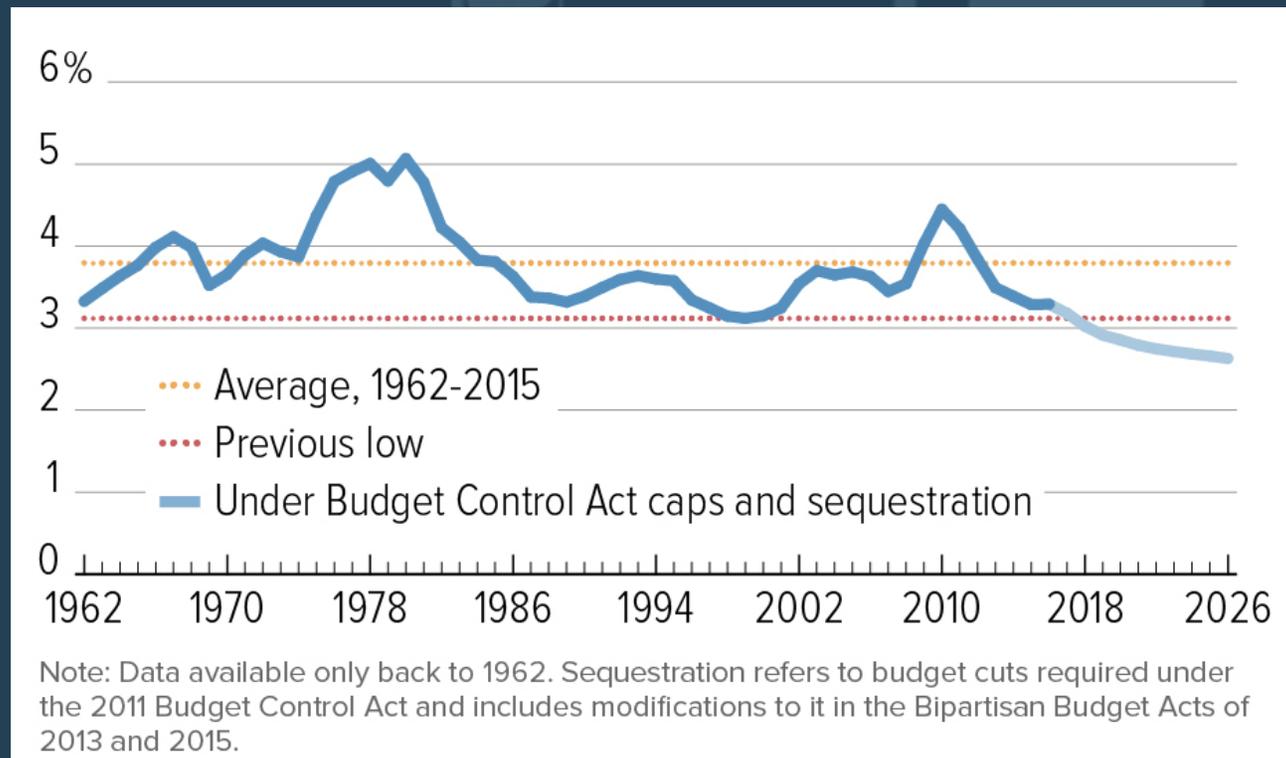
Source: CBPP analysis of data from the Congressional Budget Office, Office of Management and Budget, and announced agreement for 2018 and 2019

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG



Prior to 2018 deal: Non-defense discretionary spending fell to historic lows

Spending as a percent of gross domestic product



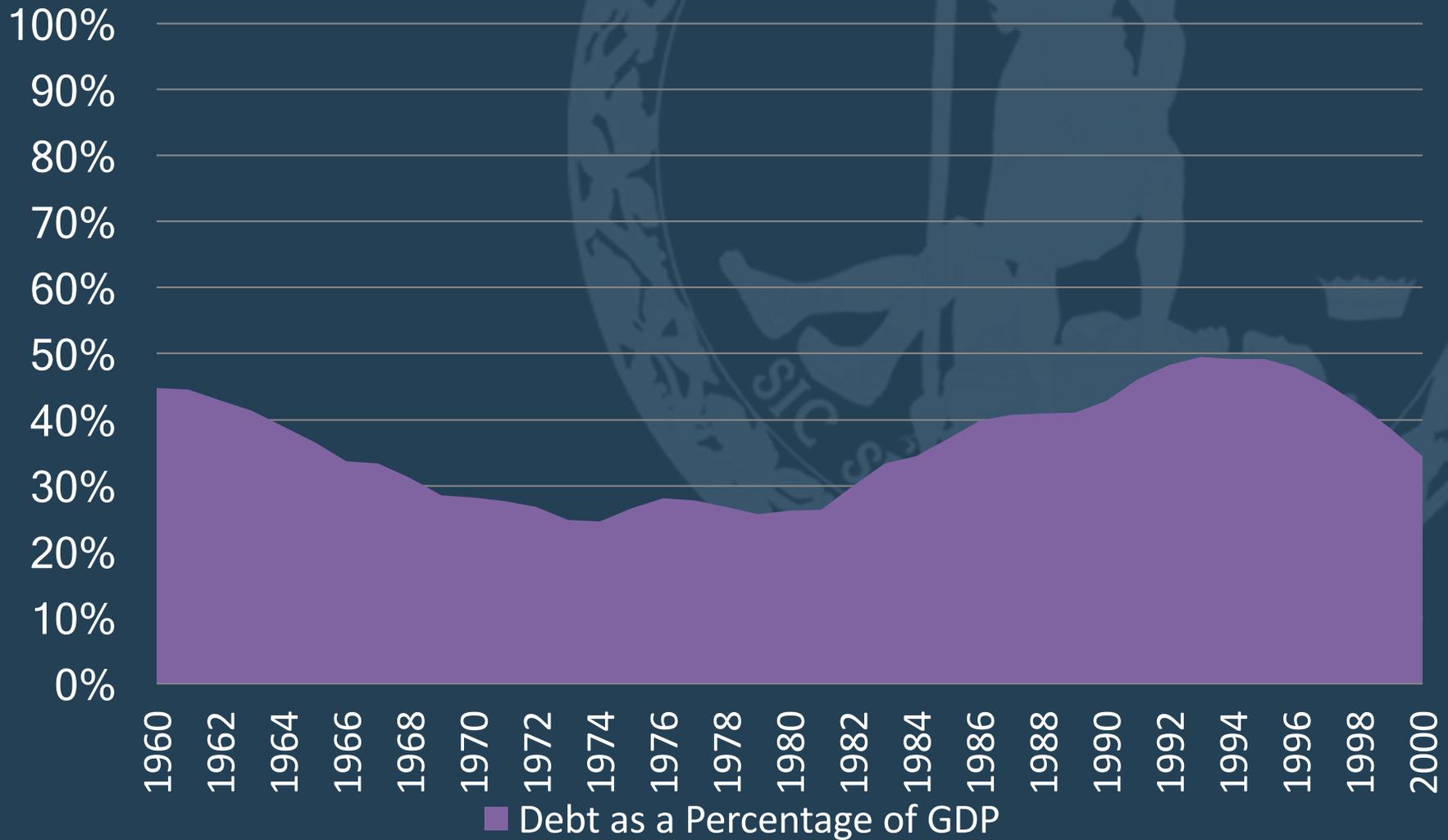
Debt & Deficits

- CBO has not published a new baseline since H.R. 1 was passed, but FY2018 deficit expected to near \$1 trillion due to recent tax cuts
- Federal Budget currently on unsustainable path which will likely be exacerbated by the \$1.5 trillion tax cuts for corporations
- There is a more balanced way to both reduce our debt, raise revenue, and continue funding vital non-defense services



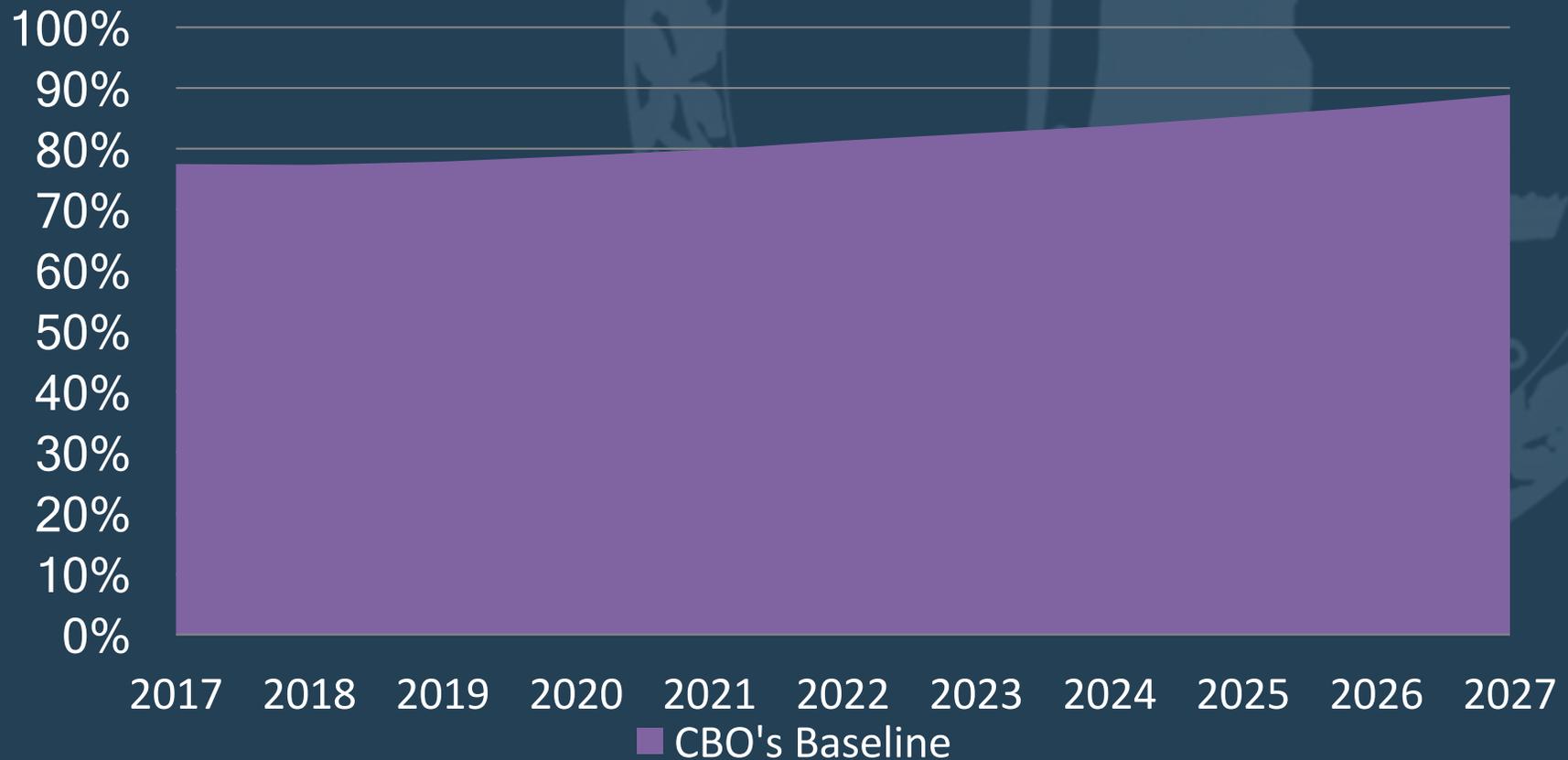
Historic Debt Held By the Public

(as a percentage of GDP)



Current Baseline of Debt Held By the Public

(as a percentage of GDP)



Source: Congressional Budget Office, The Budget and Economic Outlook: 2017 to 2027 (January 2017); House Budget Committee – Democrats Analysis of FY18 CBC Budget



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